

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the October 2004 to the January 2005 *Idaho Economic Forecast*. The January 2005 *Idaho Forecast* is based on Global Insight's November 2004 baseline forecast and the October 2004 *Idaho Forecast* is driven by Global Insight's September 2004 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed since the October 2004 *Idaho Economic Forecast* was published. A review of several macroeconomic variables shows the short-run outlook for the U.S. economy is virtually unchanged. The forecasts for both nominal and real GDP is higher in every year compared to the previous forecasts. However, these changes are small enough to be negligible. For example, nominal GDP is no more than 0.2% higher in any year of the forecast. Similarly, real GDP is just 0.1% higher in most years of the forecast compared to the previous projections. National personal income is a mixed bag. Both nominal and real U.S. personal incomes are lower in 2004 and 2005 compared to the October 2004 predictions. This reverses beginning in 2006, when the current forecasts of real and nominal personal incomes are stronger than was previously estimated. However, as in the case of U.S. GDP, these differences are insignificant. The outlook for inflation has improved or worsened depending on what measure is used. For example, the most-quoted measure, the consumer price index, shows inflation is slightly higher than had been previously forecast. On the other hand, the current forecast of the implicit price deflator for consumer spending on goods and services show inflation is lower than in October 2004. The differences are insignificant. This was also the case with employment. The number of U.S. jobs was increased by no more than 0.1% per year compared to the previous forecast.

The changes to Idaho's employment forecast were very similar to those at the national level. Specifically, differences between the January 2005 and October 2004 forecasts were slight. In the current forecast, Idaho nonfarm employment is 0.2% above its October 2004 counterpart in 2004, but it is 0.2% lower in 2008. A review of Idaho personal income shows this measure is clearly lower than its October 2004 counterpart. However, this decline is mostly due to a revision to the historical personal income data that lowered the starting points for both real and nominal Idaho personal incomes.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
JANUARY 2005 AND OCTOBER 2004 FORECASTS**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP (BILLIONS)									
Current \$	0	0	0	0	0	13	11	31	4
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.0%
2000 Chain-Weighted	0	0	0	0	0	12	3	15	10
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%
PERSONAL INCOME - CURR \$									
Idaho (Millions)	0	0	128	-254	-429	-499	-442	-452	-622
% Difference	0.0%	0.0%	0.4%	-0.7%	-1.2%	-1.3%	-1.1%	-1.1%	-1.4%
U.S. (Billions)	0	0	0	0	0	-9	-6	22	-2
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	0.2%	0.0%
PERSONAL INCOME - 2000 \$									
Idaho (Millions)	0	0	125	-243	-406	-445	-417	-365	-474
% Difference	0.0%	0.0%	0.4%	-0.7%	-1.2%	-1.3%	-1.2%	-1.0%	-1.2%
U.S. (Billions)	0	0	0	0	0	-4	-9	30	17
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.3%	0.2%
TOTAL NONFARM EMPLOYMENT									
Idaho	3	3	4	2	-1	1,152	828	740	-52
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.1%	0.0%
U.S. (Thousands)	0	0	0	0	0	53	85	202	103
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
GOODS PRODUCING SECTOR									
Idaho	1	1	2	0	-3	270	787	903	1,005
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.8%	0.9%	1.0%
U.S. (Thousands)	0	0	0	0	0	-21	-135	-197	-230
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.6%	-0.9%	-1.0%
NONGOODS PRODUCING SECTOR									
Idaho	2	2	1	1	3	881	41	-163	-1,057
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	-0.2%
U.S. (Thousands)	0	0	0	0	0	74	220	399	333
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.4%	0.3%
FINANCIAL MARKETS									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.1%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.1%	0.0%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.1%	0.1%
INFLATION									
GDP Price Deflator	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	-0.1
Personal Cons Deflator	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.2
Consumer Price Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Forecast Begins the **THIRD** Quarter of 2004